

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



13031028

**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

SEC  
Mail Processing  
Section

MAR 01 2013

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

SEC FILE NUMBER
8- 46325

FACING PAGE  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

Washington DC  
405

REPORT FOR THE PERIOD BEGINNING 01/01/12 AND ENDING 12/31/12  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: NGAM Distribution, L.P.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

399 Boylston Street

(No. and Street)

Boston

(City)

MA

(State)

02116

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Anthony Loureiro

617-449-2828

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

125 High Street

(Address)

Boston

(City)

MA

(State)

02110

(Zip Code)

**CHECK ONE:**

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

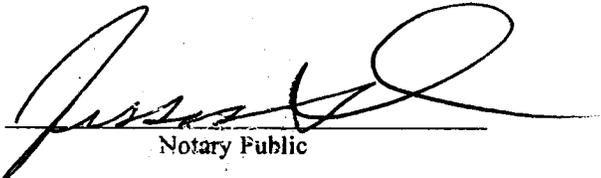
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Beatriz Pina Smith, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of NGAM Distribution, L.P., as of December 31, 20 12, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_  
\_\_\_\_\_

  
Signature  
Chief Financial Officer  
Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# **NGAM Distribution, L.P.**

**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**

**(SEC File Number 8-46325)**

**Financial Statements**

**December 31, 2012**



# **NGAM Distribution, L.P.**

**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**

**(SEC File Number 8-46325)**

**Financial Statements**

**December 31, 2012**

**NGAM Distribution, L.P.**

(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)

**Index**

**December 31, 2012**

---

	<b>Page(s)</b>
<b>Independent Auditor's Report .....</b>	<b>1-2</b>
<b>Financial Statements</b>	
Statement of Financial Condition .....	3
Statement of Operations .....	4
Statement of Changes in Partners' Capital.....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7-12
Supplementary Information .....	13
Supplementary Schedule I.....	14
<b>Report of Independent Auditors on Internal Control Required by SEC Rule 17a-5(g)(1).....</b>	<b>15-16</b>



## Independent Auditor's Report

To the Partners of NGAM Distribution, L.P:

We have audited the accompanying financial statements of NGAM Distribution, L.P., which comprise the statement of financial condition as of December 31, 2012, and the related statement of operations, statement of changes in partners' capital and statement of cash flows for the year then ended.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NGAM Distribution, L.P. at December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



***Other Matter***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained in schedule I on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Pranatahoun Coopers LLP*

February 27, 2013

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Statement of Financial Condition**  
**December 31, 2012**

---

*(in thousands of dollars)*

<b>Assets</b>	
Cash and cash equivalents	\$ 40,999
Accounts receivable, affiliates	1,731
Accounts receivable, other	37
Deferred commissions, net of accumulated amortization of \$140,802	5,473
Prepaid expenses	207
Total assets	<u>\$ 48,447</u>
<b>Liabilities and Partners' Capital</b>	
<b>Liabilities</b>	
Accrued service and distribution fees/other distribution costs	\$ 33,639
Accounts payable, other	37
Total liabilities	<u>33,676</u>
<b>Partners' capital</b>	
Limited partner	14,623
General partner	148
Total partners' capital	<u>14,771</u>
Total liabilities and partners' capital	<u>\$ 48,447</u>

The accompanying notes are an integral part of the financial statements.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Statement of Operations**  
**Year Ended December 31, 2012**

---

*(in thousands of dollars)*

<b>Revenues</b>	
Service and distribution fees	\$ 154,850
Less: Service and distribution fees reallocated to broker dealers and service providers	<u>(146,348)</u>
Net service and distribution fees	<u>8,502</u>
Commission income	11,606
Less: Commission expense reallocated to broker dealers and service providers	<u>(10,155)</u>
Net commission income	1,451
Fee income from affiliates (Note 3)	1,237
Other income	1,146
Dividend income	<u>32</u>
Total revenues, net	<u>12,368</u>
<b>Expenses</b>	
Other distribution costs	28,852
Variable compensation	16,308
Other operating costs	<u>532</u>
Total expenses	<u>45,692</u>
Net loss	<u>\$ (33,324)</u>

The accompanying notes are an integral part of the financial statements.

**NGAM Distribution, L.P.****(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)****Statement of Changes in Partners' Capital****Year Ended December 31, 2012**

---

*(in thousands of dollars)*

	<b>General Partner</b>	<b>Limited Partner</b>	<b>Total</b>
<b>Balances at December 31, 2011</b>	\$ 203	\$ 20,092	\$ 20,295
Net loss	(333)	(32,991)	(33,324)
Capital contributions	278	27,522	27,800
<b>Balances at December 31, 2012</b>	<u>\$ 148</u>	<u>\$ 14,623</u>	<u>\$ 14,771</u>

The accompanying notes are an integral part of the financial statements.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2012**

---

*(in thousands of dollars)*

<b>Cash flow provided by (used in) operating activities</b>	
Net loss	\$ (33,324)
Adjustments to reconcile net income to net cash used for operating activities	
Changes in assets and liabilities	
Decrease in accounts receivable, affiliate	194
Increase in accounts receivable, other	(25)
Increase in deferred commissions	(112)
Increase in prepaid expenses	(3)
Decrease in accrued service and distribution fees/other distribution costs	(7,736)
Decrease in accounts payable, affiliates	(9)
Decrease in accounts payable, other	(20)
Net cash used by operating activities	<u>(41,035)</u>
<b>Cash flows provided by (used in) financing activities</b>	
Capital contributions	<u>27,800</u>
Net cash provided in financing activities	<u>27,800</u>
Net decrease in cash and cash equivalents	(13,235)
Cash and cash equivalents, at beginning of year	<u>54,234</u>
Cash and cash equivalents, at end of year	<u>\$ 40,999</u>

The accompanying notes are an integral part of the financial statements.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Notes to Financial Statements**  
**December 31, 2012**

---

*(in thousands of dollars)*

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

NGAM Distribution, L.P., formerly Natixis Distributors, L.P. (the "Distributor" or the "Company") is the distributor for Natixis Funds, Loomis Sayles Funds and Hansberger International Series (collectively, the "Mutual Funds," as described below), and a registered broker-dealer with the United States Securities Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). Natixis Distribution Corporation, which is a wholly-owned subsidiary of Natixis Asset Management Holdings, LLC, is the General Partner and has a 1% ownership interest in the Distributor. The remaining 99% ownership interest is held by Natixis Global Asset Management, L.P. (the "Operating Partnership" or the "Parent") as the Limited Partner.

NGAM Distribution, L.P. is wholly-owned by Natixis Global Asset Management, L.P. ("NGAM, L.P.") which is wholly-owned by Natixis U.S. Holdings, Inc. ("NUSHI").

NGAM, L.P. is part of Natixis Global Asset Management SA ("NGAM"), an international asset management group based in Paris, France, that is owned by Natixis SA ("Natixis"), a French investment banking and financial services firm. Natixis owns 100% of NUSHI through its 15% direct ownership interest and 85% indirect ownership interest via other wholly-owned affiliates, including Natixis Global Asset Management SA. Natixis is principally owned by BPCE, France's second largest banking group. The remaining approximately 28% of Natixis is publicly owned, with shares listed on the Euronext exchange in Paris. BPCE is owned by banks comprising two autonomous and complementary retail banking networks consisting of the Caisse d'Epargne regional savings banks and the Banque Populaire regional cooperative banks.

The Natixis Funds consist of 31 open-end registered investment companies or mutual funds, which offer a combination of Class A, C, Y and Admin shares for sale to the public. The funds are distributed principally within the United States. The share classes are distinguished by the amount and timing of sales charges and distribution fees paid by the shareholder or mutual fund. Service and distribution fees earned by the Distributor are based on a percentage of Fund net assets; as a result the Distributor's revenues may fluctuate based on the performance of the funds.

The Loomis Sayles Funds consist of 9 open-end registered investment companies or mutual funds, which offer a combination of Retail, Administrative and Institutional class shares for sale to the public. The funds are distributed principally within the United States. The share classes are distinguished by the amount of distribution fees paid by the shareholder or mutual fund.

The Hansberger International Series consist of 2 open-ended registered investment companies sponsored by Hansberger Global Investors, Inc. and are distributed principally within the United States.

The Company also acts as a marketing agent for affiliated advisors in the following products: Separate Accounts; Institutional Money Management; Mutual Funds; Variable Annuities and Variable Life products. The Distributor earns a referral fee for this activity.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Notes to Financial Statements**  
**December 31, 2012**

---

*(in thousands of dollars)*

**2. Significant Accounting Policies**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of a money market mutual fund (sponsored by a related party and held in the name of the Distributor, see Note 3 and Note 4) and amounts held at a nationally chartered bank, each with original maturities of 90 days or less, and readily convertible to known amounts of cash. A portion of the cash held at the nationally chartered bank, which results from the timing of distribution fees received from the Mutual Funds and paid to distributors, exceeds federal insurance limits.

**Accounts Receivable**

Accounts receivable primarily consists of receivables due from affiliates which are settled monthly. On a periodic basis, the Distributor evaluates its accounts receivable for collectibility, and if necessary, establishes an allowance for doubtful accounts based on past experience and current credit conditions. Based on management's review of accounts receivable, no allowance for doubtful accounts is considered necessary as amounts due are based on contractual arrangements and collectibility is reasonably assured.

**Deferred Commissions**

Deferred commissions are advance commissions paid to third party brokers, as a stated percentage, on certain Class C Mutual Fund sales. The deferred commissions are amortized and recognized as contra revenue over a one-year period from payment to match the 12b-1 revenue earned by the Distributor. These assets are presented net of amortization in the statement of financial condition.

**Prepaid Expenses**

Prepaid expenses consist of payments that were made in advance for licenses, insurance and miscellaneous fees. Accordingly, such amounts are amortized over the period of use.

**Accrued Service and Distribution Fees/Other Distribution Costs**

Accrued service and distribution fees consist of brokers' service and distribution fees that are incurred based on a percentage of a mutual fund's average net assets. Accrued other distribution costs are payments due to broker dealers based on contractual rates. The account also consists of accrued commissions on Class C shares.

**Accounts Payable**

Accounts payable consist primarily of payments due to third parties.

**Service and Distribution Fees and Expenses**

Service and distribution fees are earned by the Distributor as a percentage of a fund's average daily net assets and are then paid to the broker dealer and/or service provider of record. Service and distribution fees earned on Class A, B, C and Admin mutual fund shares are presented gross less the amounts reallocated to broker dealers and service providers in the statement of financial condition.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Notes to Financial Statements**  
**December 31, 2012**

---

*(in thousands of dollars)*

**Net Commission Income**

Commissions are earned on the sale of certain Class A mutual fund shares. Based on the fund's prospectus a percentage is paid to the selling broker dealer. Commission income earned on sales of certain Class A mutual fund shares are presented gross less amounts reallocated to broker dealers and service providers.

**Federal Income Taxes**

As the Distributor is a partnership, taxable income or loss is reported by the limited and general partners on their individual income tax returns and as a result, the Distributor has concluded that no provisions for income tax are required. However, the Distributor's conclusions regarding tax positions taken may be subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws and accounting regulations and interpretations thereof.

In the normal course of business, the Distributor is subject to examination by federal, state, local and foreign jurisdictions, where applicable. As of December 31, 2012, the tax years subject to examination under the statute of limitations is from the year 2009 forward. The Distributor has not recognized any interest or penalties related to uncertain tax positions in the statement of financial condition and statement of operations.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**3. Transactions With Related Parties**

Effective January 1, 2012 the Distributor amended certain agreements with Loomis, Sayles & Company, L.P., AlphaSimplex Group LLC., AEW Capital Management, L.P., Gateway Advisers LLC, NGAM, SA, Hansberger Global Investors, Inc. and Capital Growth Management L.P that provided certain marketing and support services. The previous agreements were between the Distributor and the affiliated company. The amended agreements were entered into between NGAM Advisors, L.P. (the "Advisor"), an affiliate of the Distributor, and the affiliated companies. As a result, revenue previously earned by the Distributor for these services was earned by the Advisor in 2012.

The Distributor receives certain fees from Loomis, Sayles & Company, L.P., AlphaSimplex Group LLC., Hansberger Global Investors, Inc. and Gateway Advisers LLC, all subsidiaries of Natixis Global Asset Management, L.P. for referral fees. These fees totaled \$634, \$295, \$10 and \$301, respectively, during 2012. Referral fees earned by the Distributor are based on a percentage of affiliate revenue, which is based on assets; as a result, the Distributor's revenue may fluctuate based on the performance of financial markets.

# NGAM Distribution, L.P.

(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)

## Notes to Financial Statements

December 31, 2012

---

*(in thousands of dollars)*

The Distributor is reimbursed for revenue sharing payments made to broker dealers from Loomis, Sayles & Company, L.P., Gateway Advisors, LLC and Hansberger Global Investors, Inc. with respect to certain mutual funds. These fees totaled \$5,801, \$1,402 and \$334, respectively, during 2012. Revenue sharing payments are made to broker dealers for other distribution costs in excess of 12b-1 payments.

The Distributor entered into an expense agreement effective January 1, 2003, amended May 8, 2009, which stipulates that, NGAM Advisors, L.P., formerly Natixis Asset Management Advisors, L.P., a subsidiary of Natixis Global Asset Management, L.P. will bear certain expenses of the Distributor. Expenses include, but are not limited to: salary and benefits, occupancy and equipment, distribution costs including travel, meals and entertainment, seminars, promotions, research and fulfillment, system and telecommunications, professional fees including certain audit fees, legal and consulting fees and other operating expenses. These costs exclude service and distribution fees, other distribution costs and commission expense presented in the statement of operations.

The Distributor invests in an account with Reich & Tang Institutional Daily Income Fund; a fund managed and offered by an affiliate, that pays dividends at a floating rate (.12% as of December 31, 2012). Total dividend income earned on this account during 2012 was \$32.

All intercompany transactions are charged or credited through intercompany accounts and settled in the normal course of business. Such transactions may not be the same as those which would otherwise exist or result from agreements and transactions among unaffiliated third parties.

#### 4. Valuation

In accordance with accounting standards related to fair value measurement and disclosures, the Distributor has categorized the inputs utilized in determining the value of its assets and liabilities. The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The various inputs that may be used to determine the value of the Distributor's investments are summarized in three broad levels. The inputs of methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities:

- |         |  |
|---------|--|
| Level 1 | Quoted prices in active markets for identical securities;  |
| Level 2 | Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayments speeds, credit risk, etc.); and |
| Level 3 | Significant unobservable inputs (including the Distributor's own assumptions used to determine the fair value of measurements).                  |

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Notes to Financial Statements**  
**December 31, 2012**

---

(in thousands of dollars)

The following table summarizes the fair value of the Distributor's investments as of December 31, 2012, based on the inputs used to value them:

Valuation Inputs	Investments in Securities
Level 1 - Quoted prices	\$ 25,287
Level 2 - Other significant observable inputs	-
Level 3 - Significant unobservable inputs	-
	<u>\$ 25,287</u>

The Distributor recognizes transfers into and out of the levels of the fair value hierarchy at the end of the reporting period. There were no transfers into or out of the levels of the fair value hierarchy from the prior year reporting period. The investment is carried at \$1 per share. The fund is valued on a daily basis.

**5. Partners' Capital**

The Distributor had contributions from the Parent and the General Partner amounting to \$27,800 during 2012. The Parent has provided a written commitment to the Distributor to support its operating and regulatory capital requirements through January 1, 2014, if needed.

**6. Net Capital Requirement**

The Distributor is subject to the Securities and Exchange Commission's (SEC's) Uniform Net Capital Rule 15c3-1 which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The Distributor is a nonclearing broker and does not carry customers' accounts on its books. At December 31, 2012, the Distributor had net capital of \$6,817, which was \$4,572 in excess of its required net capital of \$2,245. The Distributor's net capital ratio was 4.94 to 1.

The Distributor claims exemption from Rule 15c3-3, under paragraph (k)(2)(i). Because of this exemption, the Distributor has not included the schedules, *Computation for Determination of Reserve Requirements Under Rule 15c3-3*, or *Information for Possession or Control Requirements Under Rule 15c3-3*.

**7. Variable Compensation**

The Distributor has variable compensation plans that award cash payments to certain employees, which are generally dependent upon sales and assets under management. Variable compensation expense amounted to \$16,308 during 2012.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Notes to Financial Statements**  
**December 31, 2012**

---

*(in thousands of dollars)*

**8. Commitments and Contingencies**

In the normal course of business, the Distributor may enter into contracts and agreements that contain a variety of representations and warranties, which provide general indemnifications. The maximum exposure to the Distributor under these arrangements is unknown, as this would involve future claims that may be against the Distributor that have not yet occurred. However, based on experience, the Distributor expects the risks of loss to be remote.

**9. Subsequent Events**

Management has evaluated the events and transactions that have occurred through February 27, 2013, the date the financial statements were issued, and noted no items requiring adjustment of the financial statements or additional disclosures.

**NGAM Distribution, L.P.**  
**(A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)**  
**Supplementary Information**  
**Pursuant of Rule 17a-5 of the Securities Exchange Act of 1934**  
**December 31, 2012**

---

The accompanying Schedule I is prepared in accordance with the requirements and general format of FOCUS Form X-17a-5.

**NGAM Distribution, L.P.**  
 (A wholly-owned subsidiary of Natixis Global Asset Management, L.P.)  
**Supplementary Schedule I**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission as of December 31, 2012**

---

*(in thousands of dollars)*

<b>Net Capital</b>	
Total partners' capital	\$ 14,771
Deductions	
Nonallowable assets included in Statement of Financial Condition	
Accounts receivable, affiliates	1,731
Accounts receivable, other	37
Deferred commission	5,473
Prepaid expenses	207
Net capital before haircuts on securities positions (tentative net capital)	<u>7,323</u>
Haircuts on securities (2%)	<u>506</u>
Net capital	<u>6,817</u>
<b>Aggregate Indebtedness</b>	
Total liabilities or aggregate indebtedness	<u>33,676</u>
<b>Computation of Basic Net Capital Requirement</b>	
Minimum net capital required (greater of 6 <sup>2</sup> / <sub>3</sub> % of aggregate indebtedness or \$25)	<u>2,245</u>
Net capital in excess of requirement	<u>\$ 4,572</u>
Ratio of aggregate indebtedness to net capital	<u>4.94:1</u>

**Statement pursuant to paragraph (d) (4) of Rule 17a-5**

There are no material differences between this computation of net capital and that included in the Distributor's unaudited December 31, 2012 FOCUS report.



**Report of Independent Auditors on Internal Control Required  
By SEC Rule 17a-5(g)(1)**

To the Partners of NGAM Distribution, L.P:

In planning and performing our audit of the financial statements of NGAM Distribution, L.P. (the "Company") as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.



A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined previously.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2012 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulator Authority ("FINRA"), and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*PricewaterhouseCoopers LLP*

February 27, 2013



**MIX**  
Paper from  
responsible sources  
**FSC® C012076**

Printed on paper containing 30% post consumer waste  
(PCW) fiber and certified to the Forest Stewardship Council™ standard.